



Strategic Plan Update

What has changed and will it impact our rate path?

Review Panel Meeting (1st in series of 3)
January 13, 2014

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www.seattle.gov/light/strategic-plan

“... I have always found that plans are useless, but planning is indispensable.”

—*Dwight D. Eisenhower*

WHAT WILL WE ACHIEVE TODAY?

- Agree on schedule to complete this update
- Understand current 2013-2018 plan
- Understand key successes & challenges in 2013
- Understand what's changed & impact on rate path
- Agree on four strategic questions to answer

AGREE ON THE SCHEDULE

Please refer to the meeting schedule handouts.

Critical path to accomplish adoption of plan update in July:

- Three Review Panel meetings to **agree on Utility Proposal** (see agenda handout)
- **Single** phase of public outreach (mid-February through end of March)
- Two Review Panel meetings to **agree on Recommendation** (submit late April)
- Continual engagement of Mayor and Council (now through July)
- Mayor submits to Council
- Council vote in July

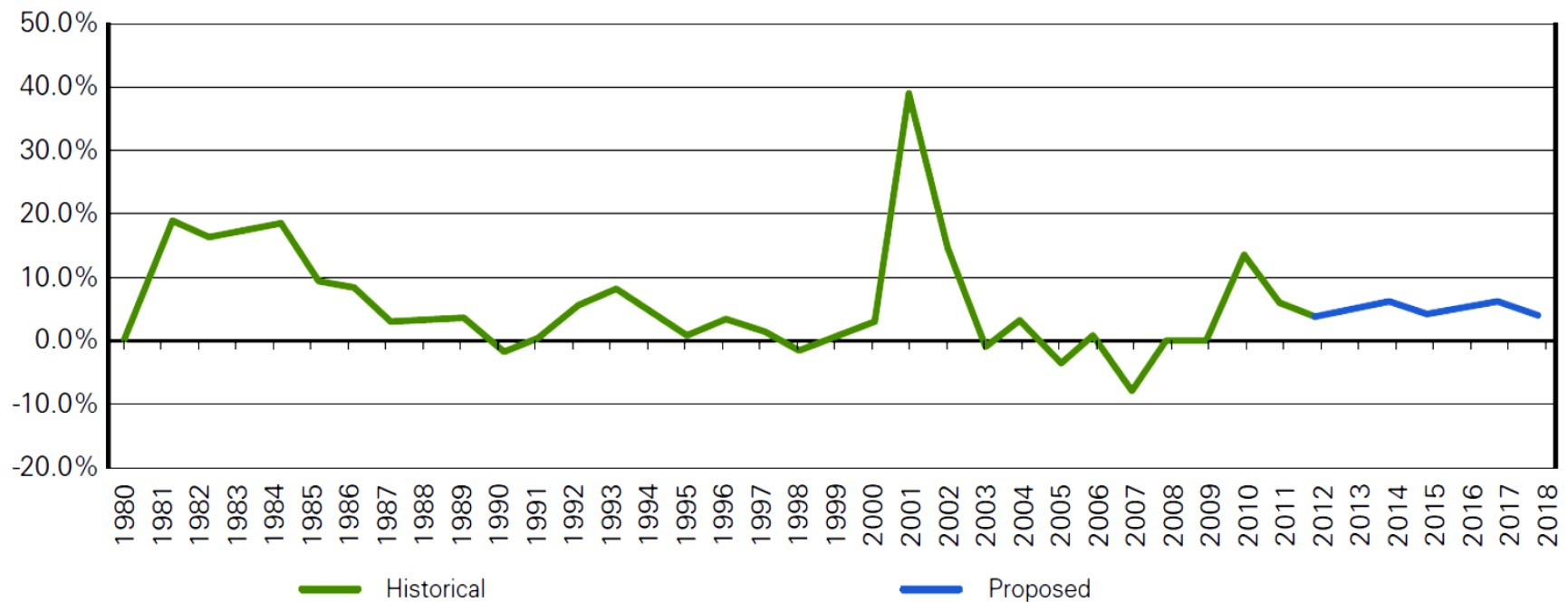
2013-2018 Strategic Plan

What was the plan?

WHY A STRATEGIC PLAN?

Consistent customer experience and rate predictability

Promised average rate increases of 4.7% per year over six years



2013-2018 STRATEGIC PLAN

Baseline investments to **MAINTAIN** current level of service.

Invest in power supply & environment, reliability, customer service, and infrastructure at levels needed to maintain current level of service.

Efficiencies to improve the utility's productivity.

Identified efficiencies to produce \$18 million per year in savings by 2015.

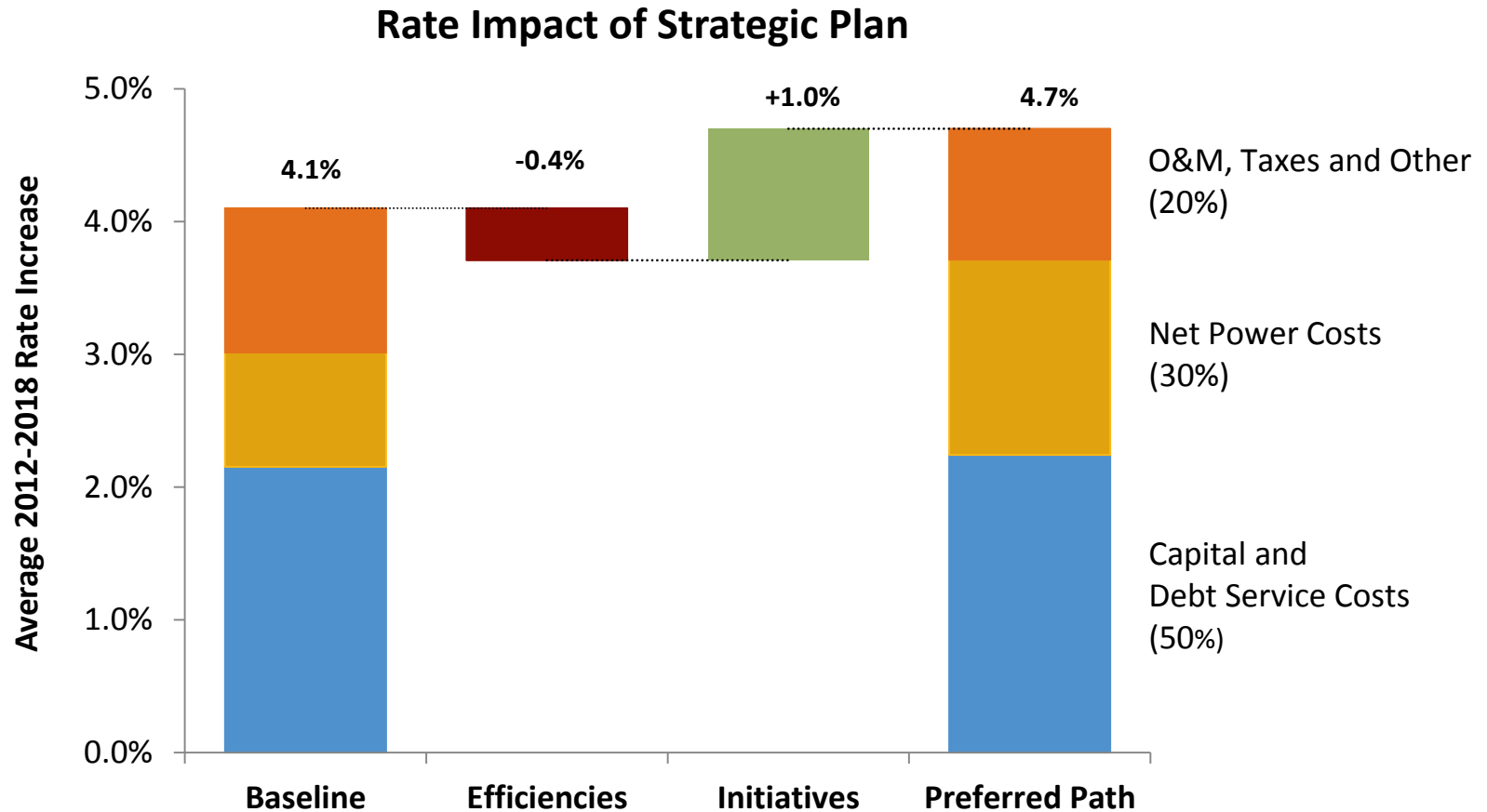
Initiatives to **ENHANCE** the level of service.

Investment in 36 initiatives to achieve these four objectives:

1. Improve **customer experience** and **rate predictability**
2. Increase **workforce performance** and **safety practices**
3. Enhance **organizational performance**
4. Continue **conservation and environmental leadership**

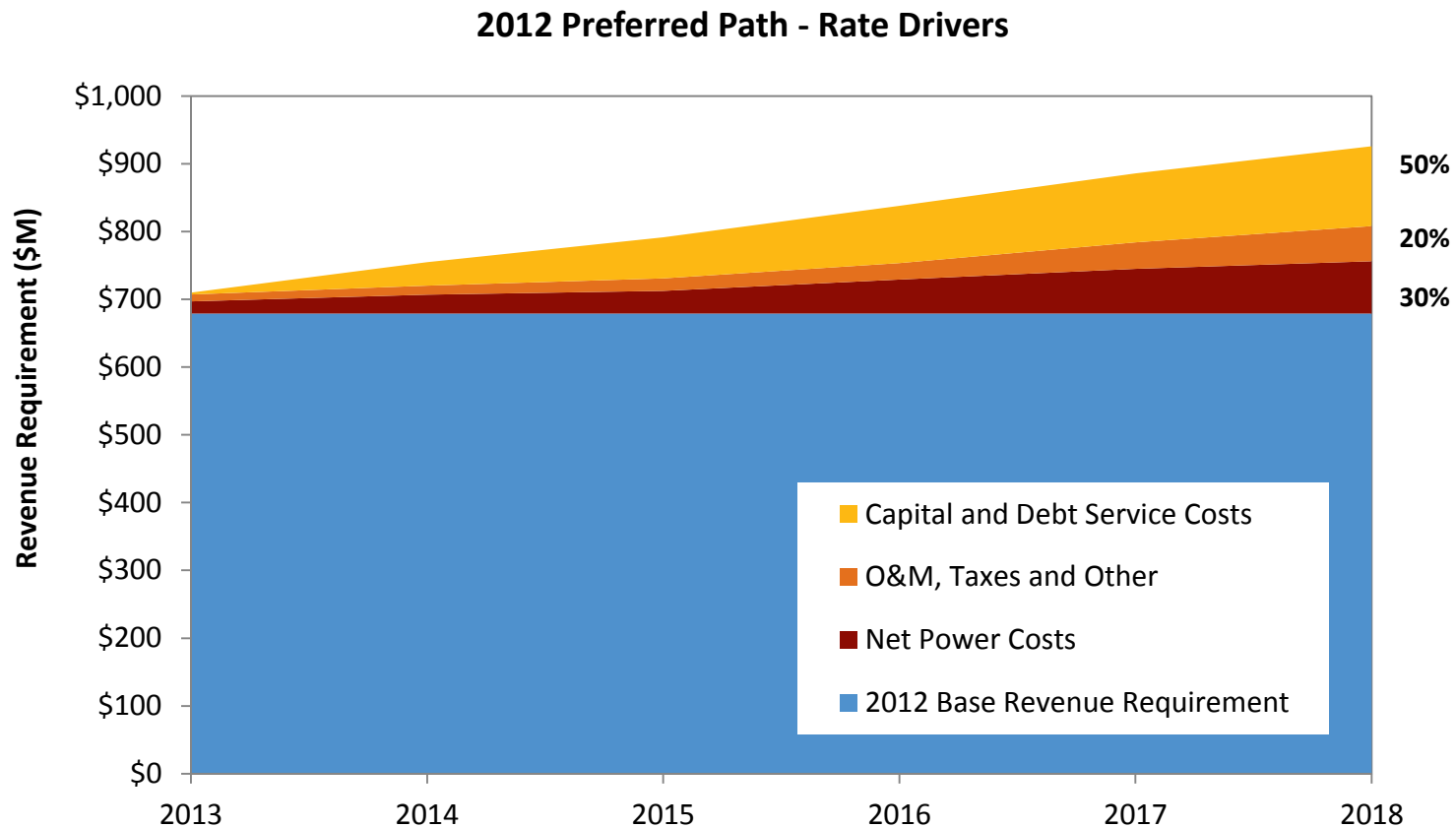
2013-2018 STRATEGIC PLAN

Most of rate increase is driven by baseline.



2013-2018 STRATEGIC PLAN

Most of revenue requirement increase is driven by investment in infrastructure.



2013-2018 Strategic Plan

What have we accomplished in 2013?

Baseline, Initiatives and Efficiency Achievement

THE PLAN IS ALREADY PRODUCING SUCCESS

- Bond Rating Upgrade
- Debt Service Reduction
- Solid 2013 Financial Results

BASELINE (Progress Report)

The Strategic Plan identified 22 baseline assumptions which underpin the utility's ability to deliver current service levels to its customers.

The four pillars that these fall under are:

- Power Supply and Environment
- Reliability
- Customer Service
- Infrastructure and Support

In 2013, the utility did well by delivering on all 22 baseline assumptions, meeting or exceeding 20 of the metrics.

- See handout

BASELINE (Examples of Success)

Improved Reliability

- Achieved average of less than 1 outage per customer during 2013 (beat goal).

Improved First Hill Infrastructure

- Completed upgrade of feeder serving First Hill hospitals to improve capacity and reliability.

Streetlights

- Exceeded goal of responding to 90% of streetlight reports within 10 business days.

Boundary Relicense

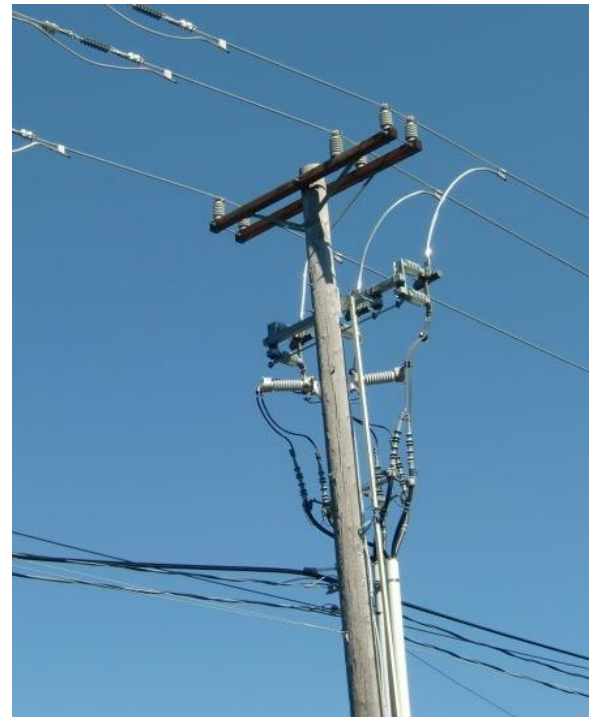
- New FERC license secures low-cost clean resource until 2055.

Unit 55 Rewind

- Improved generating capacity of 15% increases revenue by about \$2.5 million annually under normal hydro conditions.

BASELINE SUCCESS EXAMPLE 1

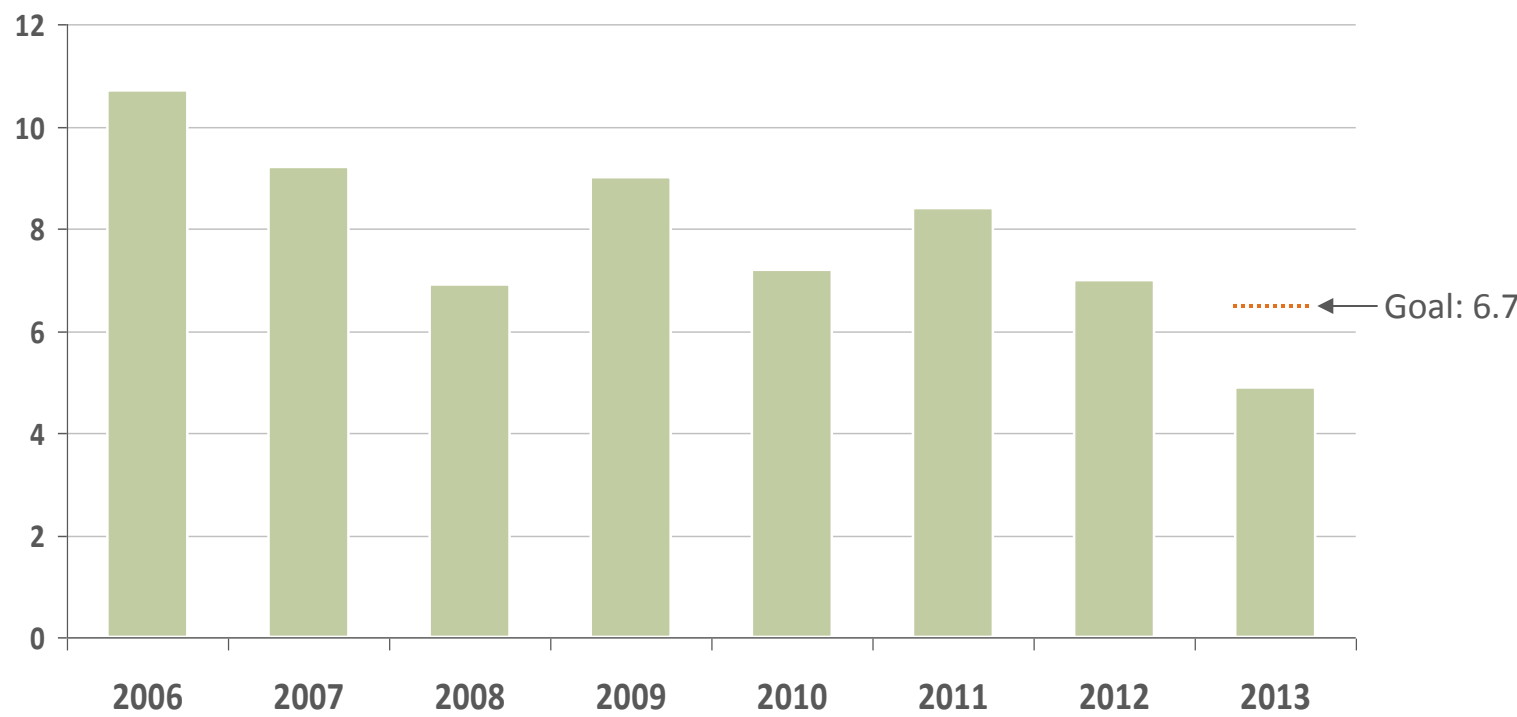
Upgrade of feeder 2750 improves capacity and reliability to First Hill



BASELINE SUCCESS EXAMPLE 2

Safety

We are well on our way to exceeding our goal for safety incidents (TRR) in 2013



EFFICIENCIES

2013 Strategic Plan Efficiency Results	
Target	\$6.9 million
Achieved	\$7.2 million
Over/(Under)	\$0.3 million

2013 efficiencies exceeded target.

- See handout

INITIATIVES

2013 Initiative Status	
Complete	1
On-Track	18
Temporarily Delayed	12
Over Budget or Scope	2
Not Started	3
Total	36

Solid progress continues with the Strategic Plan Initiatives.

- See handout.

2013-2018 Strategic Plan

What challenges did we face?

What has changed?

CHALLENGES: BASELINE & INITIATIVES

Denny Substation Costs

- A changing design and higher environmental remediation costs drive the cost \$62 million above budget.

Decrease in Load Growth Assumption

- The 0.6% annual load growth assumed in the 2013-2018 plan was too optimistic. New forecast predicts lower growth.

Technical Training Center Costs

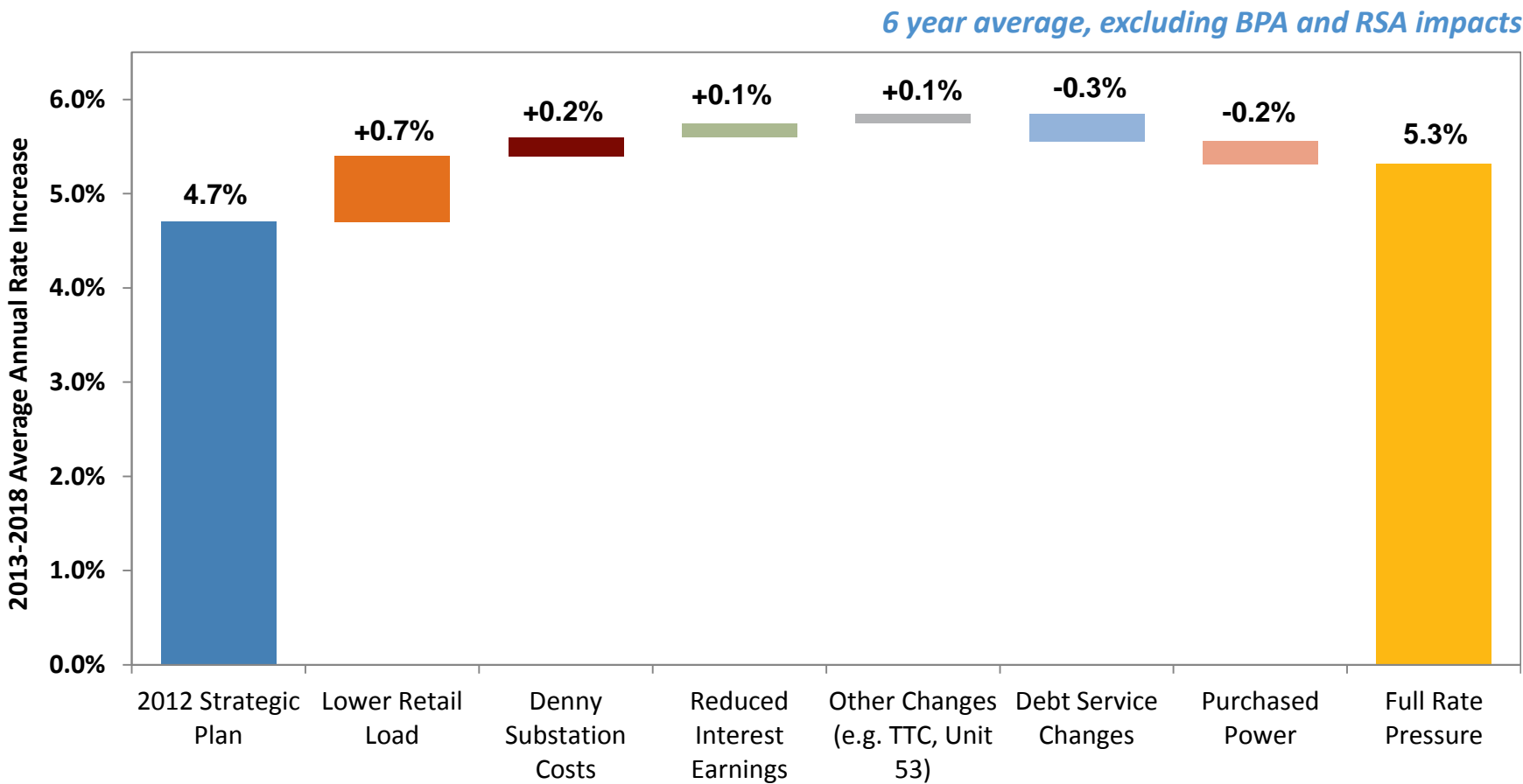
- Underestimated construction and environmental mitigation costs by \$6.6 million.

Unit 53 Unplanned Outage

- An unplanned outage of the 158 MW Unit 53 at Boundary accelerated the need for overhauling this unit, causing a reallocation of capital spending for generator rebuilds and accelerated spending in 2013-2014 for an emergency overhaul.

BASELINE & INITIATIVE CHANGES: IMPACT ON RATE PATH

Over the past two years, unexpected outcomes have increased the rate path from 4.7% to 5.3%



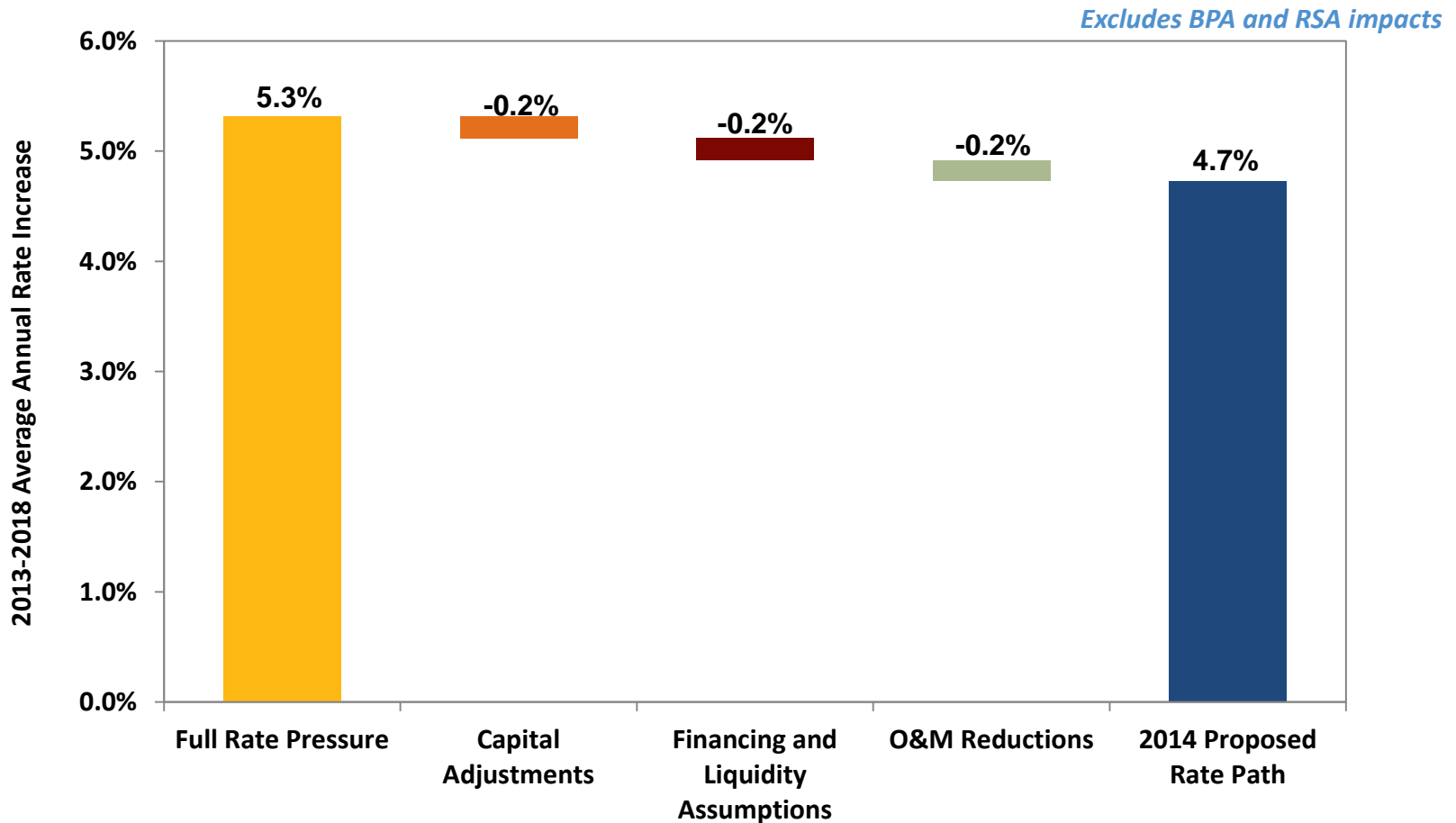
Target Rate Path

What should be our target rate path?

Should we make adjustments to 2015-2018?

PROPOSED ACTIONS TO MITIGATE RATE PRESSURE

Mitigating measures and assumptions will bring the rate path back to 4.7%



MITIGATION PLAN

Capital Adjustments

- Slow pace of certain investments based on revised needs:
 - Transmission and networks associated with Denny substation
 - Cable injection
- Assume sale of Roy Street property

Financing and Liquidity

Plan to use line of credit to reduce the cash position outstanding and debt service costs.

O&M Reductions

Assume a 3% under-expenditure of non-power O&M (which more closely reflects actual spending performance), of approximately \$10M each year.

FOUR STRATEGIC QUESTIONS TO ANSWER

1. Are the strategy and four key objectives of the 2013-2018 plan still appropriate for the 2015-2020 update?
2. Do you agree with the utility's assessment of its commitments and progress regarding the baseline, efficiencies, and initiatives?
3. Are you comfortable reaffirming the 4.7% average rate increases for 2013-2018?
4. Are the two new initiatives presented for 2019-2020 reasonable and appropriate?

Next Meeting

New initiatives for 2019 – 2020

Impact on rate path

Panel discussion – plan and performance